California Tax Credit **Allocation Committee**

2005 Results and 2006 Regulation Changes Adopted January 2006

2005 Outcomes: 9% Credits

- ◆ Funded 72 projects
 - ◆ 5,042 total units
 - 4,939 affordable units
- New Construction: 65 projects (90%)
- ◆ Acquisition/rehabilitation: 5 projects (7%)
- ◆ Rehabilitation: 2 projects (3%)
- Oversubscription rate: 2:1

9% Credits Awards Cont.

■ Median federal credit award: \$993.160

■ Median project size: 70 units

Also receiving State credits: 18 projects

State credit exchanges: 5 projects

Median state credit awards: \$3,050,000

Awardees: Organizational Type

■ 39 joint ventures (54%)

■ 30 nonprofits (42%)

■ 3 for-profits (4%)

Set-Asides: Rural (20%)

- 16 projects awarded
 - ♦ 13 family projects
 - ◆ 3 senior projects
- Set-aside = \$13.37 million
- \$14,360,986 in annual federal credits
- \$16,944,278 in total state credits

Set Asides: Nonprofit (10%)

- 7 total projects awarded
 - 2 homeless assistance apportionment deals
 - 5 general nonprofit awards
 - 4 family
 - 1 senior
 - 1 SRO
 - 1 Special Need
 - ◆ Set-aside = \$6.68 million
 - ◆ \$6.9 million in annual federal credit awarded





Set Asides: Special Needs/SRO (2%) No projects funded. Set-aside = \$3.34 million (unused)

Region (projects)	App'nt	Award	Diff.
Los Angeles (11)	\$14.4	\$13.1	\$1.3
Central (6)	\$4.5	\$7.7	(\$3.2)
N&E Bay (3)	\$4.5	\$4.5	
San Diego (5)	\$4.9	\$5.5	(\$.6)
Inland Empire (5)	\$3.8	\$7.3	(\$3.5)
Orange Co. (3)	\$3.9	\$5.6	(1.7)
S&W Bay (1)	\$2.3	\$0.9	\$1.4
Capital North (3)	\$2.7	\$4.4	(\$1.7)
Central Coast (1)	\$2.9	\$0.7	\$2.2
San Francisco (2)	\$3.6	\$3.0	\$0.6

Geographic Details: Los Angeles 11 projects 9 family 2 senior Winning scores: 155 to 104 Third Tiebreaker scores: 77.749 to 105.994

Los Angeles Continued Including set-asides, 19 projects awarded in the region 13 in the City of Los Angeles One each in Compton, Maywood, North Hills, Palmdale, and Santa Monica Will produce 980 total units

Geographic: Central Region 6 projects funded, all family deals Winning scores: 155 to 152 Third tiebreakers: 80.598 to 108.047 Three projects funded off of the second round waiting list.

Central Region Continued Including set-asides, 15 projects awarded in the region: 3 in Fresno 5 in Kern County 5 in Tulare County One each in Merced and San Joaquin Will produce 1,135 total units

Geographic: North & East Bay 1 3 projects funded 1 family project 2 senior deals All winners scored 155 Third tiebreaker: 77.313 to 84.012



Geographic: San Diego

5 projects funded

4 family deals

1 senior project

Winning scores: 155 to 137

Third tiebreakers: 72.939 to 96.875

San Diego Continued No set-aside awards in addition to 5 regional awards: Three in San Diego One each in Carlsbad and Poway Will produce 374 total units

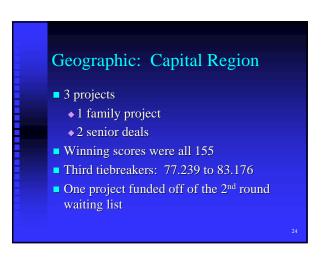
Geographic: Inland Empire 5 projects funded 4 family deals 1 senior project Winning scores were all 155 Third tiebreakers: 88.317 to 97.057 2 projects funded off of the 2nd round waiting list

Including set-asides, 12 projects awarded in the region: 6 in Riverside County Two each in the County and Moreno Valley One each in Desert Hot Springs, and Riverside 6 in San Bernardino County Two in Victorville One each in Adelanto, Hesperia, Montclair, and Ontario Will produce 720 total units

Geographic: Orange County 3 projects 2 family projects 1 senior deal Winning scores:155 to 128 Third tiebreakers: 62.717 to 104.547 1 project funded off of the 2nd round waiting list

Orange County Continued Including one set-aside award, 4 projects awarded in the region: Two in Anaheim One each in Garden Grove and Irvine Will produce 380 total units

Geographic: South & West Bay 1 project, a family deal Winning score:147 Third tiebreaker: 77.218 Will produce 55 total units No set-aside awards



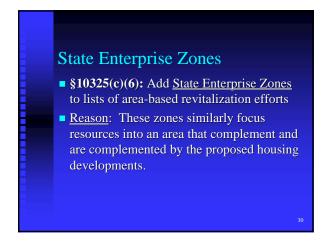
Capital Region Continued No set-aside awards Of the total of three funded projects: Two projects funded in Sacramento One in Folsom 377 total units

Geographic: Coastal Region 1 project, a family deal Winning score:108 Third tiebreaker: 108.495

Coastal Region Continued Including two set-aside awards, 3 projects awarded: One in Monterey County One in San Luis Obispo County One in Santa Barbara County Within City of Santa Barbara Will produce 142 total units



Nature of 2006 Changes Miscellaneous clarifying changes Substantive changes Changes in response to comments



Rural Housing Service 538

- **\$10315(d):** Eliminate RHS 538 guaranties from the RHS apportionment within rural set-aside.
- Reason: The 538 loan guaranty is not meaningfully more beneficial to the residents of a rural development than other public funding sources.
- Note: Change effective 2nd Round 2006.

31

El Centro to Inland Empire

- **§10315(j):** Places the non-rural City of El Centro in the IE geographic apportionment.
- Reason: El Centro must go into a region, and IE is most proximate and similar (e.g.; in SCAG planning region). Rest of Imperial County remains rural.

32

Correctable Application Errors

- \$10322(e): Allow the Executive Director to permit correction of clear reproduction or assembly errors, or transposed numbers.
- Reason: Would allow consideration of good project proposals that are missing a basic or additional threshold item or have mistakenly included an erroneous item.
- Note: Committee limited this item.

33

Sustainable Building Methods

- §10325(c)(8): Remains an 8 point category
 - ◆ Title 24: Exceed by 10% = 4 points
 - ♦ Menu of 14 additional alternatives worth one or two points each
- Reason: More rigorous Title 24 standard as of October 2005, and evolving practices and technologies.

34

Other Energy- and Green-Related Changes

- §10325(f)(7): Minimum construction standards amended as basic thresholds.
- \$10327(c)(5)(b): 4% boost to basis limits for specified energy/resource conservation or indoor air quality improvements.

RHS Apportionment Funding

- §10325(d)(1): Funded first among the rural set-aside applications.
- Once 14% is met, then remaining rural projects funded by score, regardless of RHS funding.
- Reason: Clarifies confusion expressed in last round. Reflects past practice.

36

At-Risk Definition

- \$10325(g)(5): As additional threshold, sets 5 years as the term during which restrictions may lapse.
- Allows applications where a nonprofit has acquired the property
 - Using public financing w/ long-term use restrictions, or
 - Having secured HAP contract renewals for the maximum term available
- Reason: Statutory changes, and avoids punishing nonprofits for saving projects before seeking credits

Developer Fee

- \$10327(c)(2)(C): Clarifies that, for multiple applications, fee is capped at original funded application level.
- Reason: Applicants have expressed confusion regarding current capping "at application" language.

38

Debt Service Coverage Minimum

- \$10327(c)(6): Retains current 1.1:1 debt service coverage ratio
- Forgoes change to a 1.15:1 ratio signaled in last year's regulation changes
- Reason: Retains consistency with other State lenders and provides latitude to private lenders.

Other Changes
Responding to Comments:
Annual Limits

- **§10305(d):** TCAC is not applying the perapplicant cap to 15% of the <u>federal</u> credits only.
- Reason: Uncertain impact on urban versus non-urban regions.

40

Neighborhood Revitalization

- \$10325(c)(6): TCAC will <u>not</u> require <u>both</u> letters from local area nonprofit organizations <u>and</u> local government sources describing local efforts
- Reason: Persuasive comments stated that local governmental commitment of resources is the key to successful revitalization.

4% Credits: Basis Limit Boosts

- §10305(d): Increases to Basis Limits
 - ♦ In DDA/QCT: 60%
 - ◆ Outside DDA/QCT: 80%
- Where tax credit units are more than half the project:
 - ◆ In DDA/QCT: 80%
 - ◆ Outside DDA/QCT: 100%

42

Proposed Change: Homeless Assistance Apportionment

- \$10315(b): Eliminate federal program funding as a threshold.
- 50% of units for homeless households (now defined) at affordable rents
- Establishes priorities:
 - ◆ McKinney Act or Homeless Initiative funding
 - Committed rental assistance for 50% of the
- Change would be effective in 2nd Round.

43

Items for Further Consideration

- Basis Limits: Explore alternative indicators of reasonable development costs.
- New Growth Communities: Learn more about projects in new growth areas presently lacking amenities.
- **Augmentations**: Review how other states treat requests for additional credits.

44